

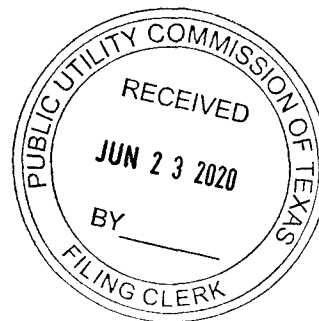


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# State Office of Administrative Hearings

Kristofer Monson  
Chief Administrative Law Judge

June 23, 2020

**TO: Stephen Journeay, Commission Counsel  
Commission Advising and Docket Management  
William B. Travis State Office Building  
1701 N. Congress, 7th Floor  
Austin, Texas 78701**

**VIA EMAIL**

**RE: SOAH Docket No. 473-19-6862  
PUC Docket No. 49737**

## **APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR CERTIFICATE OF CONVENIENCE AND NECESSITY AUTHORIZATION AND RELATED RELIEF FOR THE ACQUISITION OF WIND GENERATION FACILITIES**

Dear Mr. Journeay:

On May 26, 2020, the undersigned Administrative Law Judges (ALJs) issued the Proposal for Decision (PFD) in this case. On June 11, 2020, Exceptions to the PFD were filed by Southwestern Electric Power Company (SWEPCO), the Public Utility Commission of Texas (Commission) staff, and intervenors, Office of Public Utility Counsel, Golden Spread Electric Cooperative (GSEC), East Texas Electric Cooperative, Inc./ Northeast Texas Electric Cooperative, Inc., and Texas Industrial Energy Consumers (TIEC). On June 18, 2020, Replies to Exceptions were filed by the same parties, as well as Cities Advocating Reasonable Deregulation (CARD), except GSEC.

Most of the Exceptions and Replies to Exceptions raise arguments that were fully considered by the ALJs and discussed in the PFD and are therefore not addressed again here. In this letter, the ALJs clarify several sections of the PFD and correct a typographical error. The ALJs do not recommend any changes to the findings of fact or conclusions of law.

### ***Future Renewable Generation***

Referencing the discussion beginning on page 41 of the PFD, SWEPCO clarified in its exceptions how TIEC Ex. 45 shows that its 2020 wind forecast is 24,403 MW (21,359 + 3,044).<sup>1</sup> With this clarification, the ALJs agree this amount is slightly less than the 24,600 MW of wind in SPP's 2029 forecast, as SWEPCO asserts.

### ***Useful Life***

On page 56 of the PFD, the ALJs quote the Lawrence Berkeley National Laboratory (LBNL) study that "the analysis overstates the benefits of extended projects lifetimes." SWEPCO's exceptions argues that this analysis applies only to projected 35- to 40-year lifetimes.<sup>2</sup> The quoted language appears in the study in a section titled "Impacts on Levelized Cost of Energy," which discusses how the levelized cost of energy (LCOE) declines as useful lives increase. After estimating the LCOE for projects with 20-, 25-, 30-, 35- and 40-year useful lives, the study states:

*These estimates assume that O&M costs simply scale with inflation regardless of the useful life and that performance degradation as projects age is not present. Consequently, the analysis overstates the benefits of extended project lifetimes on LCOE, though it is still suggestive of a potentially significant positive influence, at least among the near-term extensions from 20 to 25 to 30 years (whereas discounting erodes the benefits of longer-term extensions from 30 to 35 to 40 years).<sup>3</sup>*

The ALJs construe this passage to refer to *all* projected useful lives, not just those with 35- to 40-year lifetimes. Nothing suggests that the "extended project lifetimes" refers only to the 35- to 40-year projects, as SWEPCO suggests.<sup>4</sup>

### ***Congestion and Losses and Gen-tie***

In its exceptions, SWEPCO clarified that its high congestion sensitivity accounts for both present and future congestion in its PROMOD model.<sup>5</sup> The PFD recommended a 5% congestion adjustment to account for the understatement of congestion in the PROMOD model. The ALJs find both approaches reasonable. However, SWEPCO did not present any high congestion cases

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<sup>1</sup> SWEPCO Exceptions at 15.

<sup>2</sup> SWEPCO Exceptions at 28.

<sup>3</sup> SWEPCO Ex. 16, Exh. JGD-2D at 7 (emphasis added).

<sup>4</sup> SWEPCO Exceptions at 28.

<sup>5</sup> SWEPCO Exceptions at 32.

with low gas, and no CO<sub>2</sub> at a P95 capacity factor.<sup>6</sup> Therefore, the record does not reflect the impact of adopting SWEPCO's high congestion sensitivity in conjunction with the other scenarios recommended by the PFD.

### ***Conditions***

GSEC excepts to the following conclusion on page 99 of the PFD on grounds that it shifts the burden of proof:

Furthermore, no evidence was presented that shows the Project would negatively affect SPP's transmission ratepayers in Texas, which is an issue that must be considered in accordance with PURA § 37.056(c)(3).

The ALJs clarify that this passage was not intended to shift any portion of SWEPCO's burden of proof onto the intervenors and should not be interpreted as such. Rather, the ALJs concluded, based on the testimony of SWEPCO witness Ross, that the Project would not negatively affect any electric utilities serving the proximate area.

### ***Typographical Error***

TIEC correctly identified a typographical error on pages 82-83 of the PFD. The last sentence on page 82 of the PFD (which continues on to page 83) is corrected as follows:

Any benefit that could have resulted from this guarantee is diminished because the cap ~~includes~~ excludes uncertain and possibly underestimated O&M expenses and does not account for \$480 million in gen-tie construction costs (which the ALJs previously recommended should be included in the Project's economic evaluation).<sup>7</sup>

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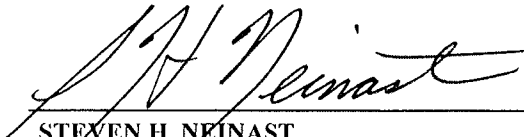
<sup>6</sup> SWEPCO Ex. 8 (Torpey Dir.), Exh. JFT-4.

<sup>7</sup> See Section III of this PFD.

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With the clarification and revisions described in this letter, the PFD is ready for your consideration.

Sincerely,



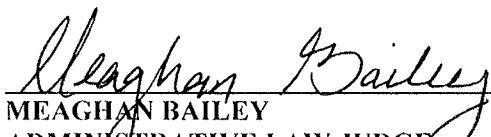
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STEVEN H. NEINAST  
ADMINISTRATIVE LAW JUDGE  
STATE OFFICE OF ADMINISTRATIVE HEARINGS



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CHRISTIAAN SIANO  
ADMINISTRATIVE LAW JUDGE  
STATE OFFICE OF ADMINISTRATIVE HEARINGS



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MEAGHAN BAILEY  
ADMINISTRATIVE LAW JUDGE  
STATE OFFICE OF ADMINISTRATIVE HEARINGS

cc: All Parties of Record